

Message Text

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HONG KONG FOR REGFINATT

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SUBJECT: KOREAN ENRGY DEVELOPMENT AND CONSERVATION PLANS

1. IN RESPONSES TO RECENT IBRD AND IMF REQUESTS FOR INFORMATION, THE MINISTRY OF COMMERCE AND INDUSTRY (MCI) HAS PREPARED A BOOKLET ON KOREA'S ENERGY PROGRAM, MAINLY COVERING ESTIMATES AND MEASURES FOR 1975-76 BUT WITH A FEW PROJECTIONS TO 1981 OR 1986. IN CONVERSATION WITH THE AMBASSADOR, THE CHIEF OF THE RECENT IMF MISSION (AHRENSDORF) TERMED THE PROGRAM A GOOD ONE AND CONSISTENT WITH USE OF THE IMF OIL FACILITY. SINCE THE ROKG IS ALSO INTERESTED IN POSSIBLE PARTICIPATION IN FUTURE INTERNATIONAL ENERGY DISCUSSIONS, THE FOLLOWING INFORMATION MAY ALSO BE USED IN THAT CONTEXT.

2. MCI PROGRAM EMPHASIZES DEVELOPMENT OF COAL, HYDRO AND ATOMIC SOURCES TO SUPPLEMENT (NOT REPLACE) PRESENT HEAVY DEPENDENCE ON IMPORTED CRUDE OIL, ESTIMATED AT 61 PERCENT OF TOTAL ENERGY CONSUMPTION EXCLUDING FIRE-
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WOOD IN 1974. BY 1981 COAL PRODUCTION IS PROJECTED TO

INCREASE 57 PERCENT OVER 1974 LEVEL, WHILE HYDRO POWER IS FORECAST TO RISE FROM 14 TO 21 PERCENT OF ELECTRICITY GENERATION AND ATOMIC POWER FROM ZERO TO 24 PERCENT. USE OF TIDAL AND WIND POWER BEING STUDIED.

3. NUMEROUS CONSERVATION MEASURES, SUCH AS EARLIER CLOSING HOURS AND REDUCED AUTO SPEEDS, WERE INTRODUCED DURING THE OIL SHORTAGE OF LATE 1973 AND REMAIN IN EFFECT, THOUGH NOT FULLY OBSERVED. HEAT MANGEMENT TRAINING IS REQUIRED FOR LARGE BUSINESSES, AN ENERGY MANAGEMENT ASSOCIATION HAS BEEN FORMED AND FUEL CONSERVATION IS TO BE CONSIDERED IN NEW PLANS.

4. CONSERVATION ESTIMATES FOR 1974 APPEAR IMPRESSIVE, ALTHOUGH MCI OFFICIALS ADMIT OIL AND COAL SHORTAGES IN EARLY 1974 ALSO HELPED. ENERGY CONSUMPTION INCREASED ONLY 2.2 PERCENT ALTHOUGH ELECTRICITY CONSUMPTION ROSE 13.6 PERCENT AND REAL GNP 8.2 PERCENT. PETROLEUM CONSUMPTION ROSE ONLY 0.8 PERCENT ALTHOUGH CRUDE OIL IMPORTS ROSE 9.2 PERCENT TO REBUILD DEPLETED STOCKS. FOR 1975 ENERGY USE IS FORECAST TO RISE 5.9 PERCENT, INCLUDING PETROLEUM UP 2.6 PERCENT, ON THE BASIS OF FORECAST INCREASES OF 11 PERCENT AND 7 PERCENT FOR ELECTRICITY AND GNP. HOWEVER, FOR 1976 PETROLEUM USE IS TENTATIVELY PROJECTED TO RISE 9.6 PERCENT TO PERMIT TOTAL ENERYG USE TO INCREASE 8.7 PERCENT AND ELECTRICITY 15.8 PERCENT. (GNP GROWTH RATE NOT SPECIFIED.)

5. COMMENT: WITH LIMITED COAL AND HYDRO RESOURCES, SOUTH KOREA WILL REMAIN HEAVILY DEPENDENT ON IMPORTED ENERGY UNLESS SIZEABLE OFFSHORE OIL DESPOSITS ARE FOUND. REDUCED GROWTH IN ENERGY CONSUMPTION IN 1974 WAS DUE TO PRICE EFFECTS AS WELL AS SHORTAGES AND CONSERVATION, AND LARGE OIL AND ELECTRICITY PRICE INCREASES PERMITTED AT TIME DECEMBER 1974 DEVALUATION SHOULD HELP IN 1975. AFTER EARLY WAVE OF EXHORTATIONS AND SOME MISTAKES, E.G., OVER-SHIFT TO COAL WHICH CREATED SHORTAGE, GOVERNMENT INTEREST IN OIL CONSERVATION SEEMED TO LAG DURING MOST OF 1974. RECENT LIMITED OFFICIAL USE

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RENEWED INTEREST WOULD SEEM RELATED TO BOP DIFFICULTIES AND VARIOUS INTERNATIONAL PROPOSALS (E.G., IN IBRD, IMF AND IEA) WHICH OFFER BENEFITS TO OIL CONSUMERS UNDERTAKING ENERGY CONSERVATION.
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